

LEVELED BOOK • U

Tanya's Money Problem



Written by Ned Jensen • Illustrated by Arthur Lin

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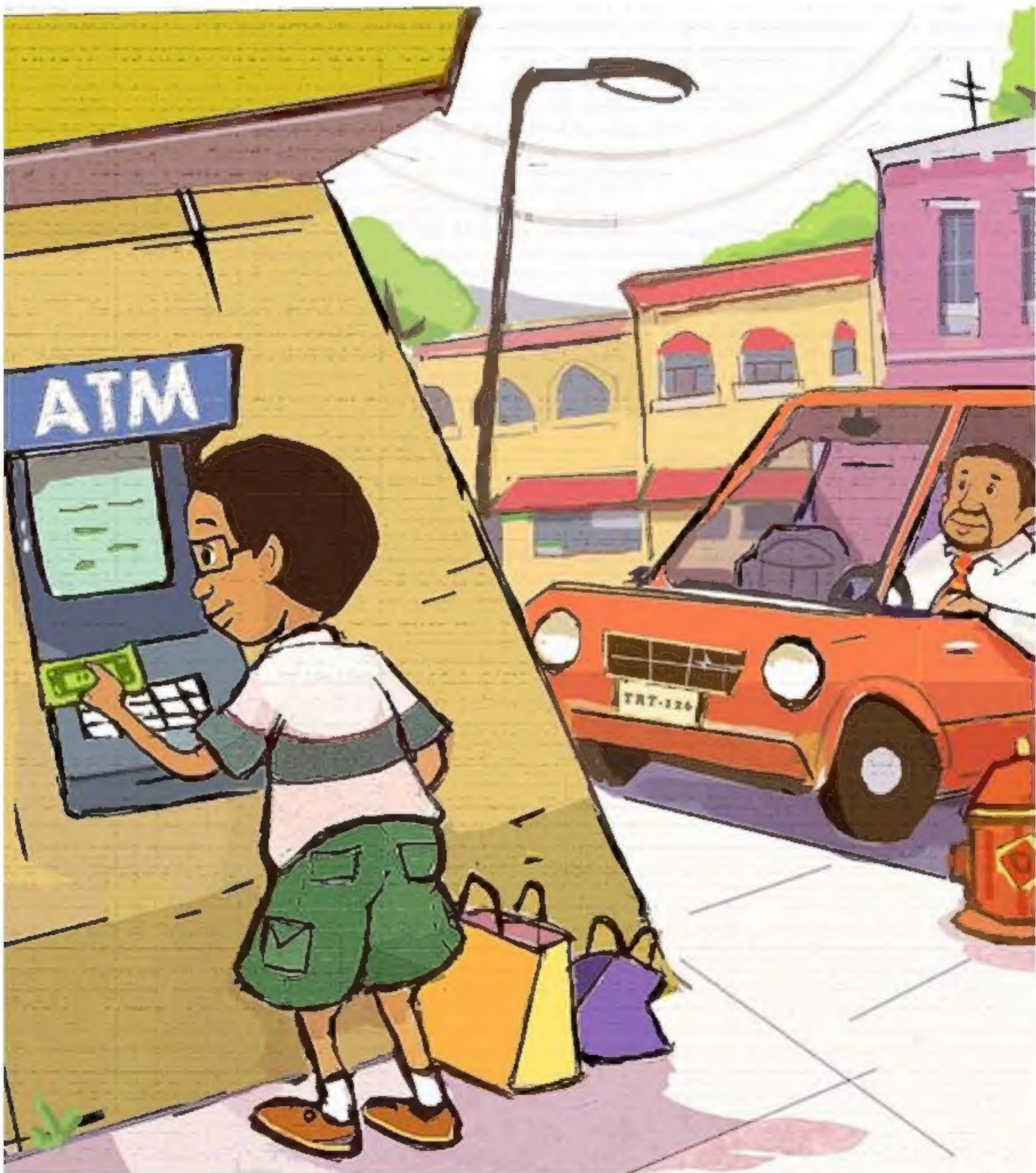


🔊 Tanya and Thad Fredrickson are twins. Most people think they look alike, but that's where the similarity ends. While Tanya is outgoing and has lots of friends, Thad is shy and has only a couple of good friends. Thad is a good student who works hard to get high grades. Tanya, on the other hand, is an average student who does just enough to get by. Like most kids, Tanya likes to buy things. Thad does, too, but not nearly as much as his sister does.



🔊 Both Tanya and Thad earn money each week by doing jobs around the house as well as for a couple of neighbors. At home, Thad washes windows, cleans up the table after dinner, sweeps the floor, and vacuums the carpets each week. Tanya washes dishes, mows the lawn, and takes out the trash. Thad also mows the lawn for two neighbors each week, while Tanya walks a neighbor's dog every morning and evening. Their **incomes** are good; each of them earns an average of about \$35 a week. Thad and Tanya like doing the work because they both love money!

🔊 The money they earn pays for going to movies and buying things like snacks, books, magazines, and clothes. Thad spends money on video games, and Tanya buys music and clothes every week. The cash that Thad earns seems to be more than enough to take care of his needs. He also seems to need a lot less stuff than Tanya does. Thad usually **deposits** about half the money he earns each week into a **savings account**.



🔊 When Thad saves enough money, he uses some of it to buy shares of **stock**. Owning a share of stock is like owning a piece of a company. So far, Thad owns 25 shares of stock in Disney and 28 shares of stock in Nintendo. Since Thad loves going to Disney movies, watching Disney Channel, and playing electronic games, as do most of his friends, he thought Disney and Nintendo would be good **investments**. After doing some Internet research on stocks and talking to his parents, he concluded that these companies were good choices.





🔊 Thad likes to buy stock because his money grows as each share of stock increases in **value**. Over time, he expects to see the value of each share go up 20 percent or 30 percent. When Disney and Nintendo earn more money than they spend, the companies sometimes pay **dividends** to the people who own their stocks. Thad has earned yearly dividends for each share of stock he owns. He always reinvests his dividends into each company's stock and uses the money to buy more shares. If you asked Thad, he would tell you that he plans to be a millionaire by the time he is 25.

🔊 Now Tanya is another story. Where Thad is a saver, Tanya is a spender. Money burns a hole in her pocket. She spends almost all her money each week and never saves a nickel. Tanya's spending problem is made worse by the fact that she really wants her own smartphone. She thinks she earns enough money to pay a monthly phone bill for calls and texting. She knows she might have to cut back her spending on clothes and music. She may even have to earn more money by walking dogs for other neighbors, but she thinks she can afford it. However, Tanya can't seem to save the \$200 it takes to buy the phone.



🔊 Since Tanya is impatient, she can never wait until she has enough money to buy something that costs more than the \$35 she earns each week. She has to think of another way to get the \$200 to buy a smartphone. One day, it suddenly occurs to her that Thad seems to always have extra money. She decides to ask him to **loan** her the \$200.



She takes the afternoon to work up the nerve to ask Thad for a loan.

“Thad, my dear, sweet, precious brother, I have a favor to ask you,” she says with her sweetest voice and most admiring look.

🔊 While Thad is fond of his sister, like most brothers he kind of likes messing with Tanya's head. Without even asking what she wants, Thad replies with a quick and forceful, "Don't waste your breath. I'm not in the mood to do any favors for you."

"But you haven't even asked what the favor is," she protests. "You aren't being fair, and you certainly aren't being very nice."

"Aw, chill out, I'm just giving you a hard time. So go ahead and tell me. What's this favor you want?"

"You know how much I want my own cell phone, right? Well, I can't wait until I save the \$200 to buy the smartphone I want. You always seem to have plenty of money, so I thought maybe you could loan me the \$200. I'll pay you back—I promise."





“Hold on just a minute, sis. Loans don’t come for free. You may think you could just pay me back the \$200 by giving me a few dollars each week, but that won’t work. You’ll also have to pay me **interest**.”

“Interest—what’s that?” asks Tanya.

“Interest is what banks charge people who borrow money to buy something big, like a house or a car. Each month, people who take out a bank loan have to pay back some of the money they borrowed. When they make a payment on the loan, the bank adds interest to the payment. This is a way for a bank, as a business, to make money. People who take out a loan end up paying the bank more than the amount they borrowed.”

THAD CORP.

JUNE

Get phone

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

JULY

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

AUG

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

SEPT

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

OCT

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

\$10 + \$1 interest

Phone
paid for!

- Weekly loan installment: \$11
- Weekly interest: \$1
- Total interest: \$20

👉 “Ouch,” says Tanya. “That could hurt. So how much interest would you charge me for a \$200 loan?”

“Because you’re my sister, here’s what I’m willing to do for you. I’ll loan you the \$200 you need to buy the phone you want, but first I’ll set up a payment plan. My plan, which you’ll need to agree to and sign, will give you twenty weeks to pay me back. Each week’s loan payment will be \$11. After twenty weeks, you will have paid me \$220. The \$20 extra is the interest you’ll have to pay me to get the phone you want right away. Of course, you could, on your own, just save \$10 a week. In twenty weeks, you’d have enough to buy the phone without a loan.”

“You know I can’t wait twenty weeks for a phone! Darlene and Emma just got phones, and if I don’t get one, I won’t be able to text and call my best friends,” shouts Tanya.

“Well, then, my impatient, money-grubbing sis, what’s it going to be? Do you want the \$200 loan with my interest **terms** or not?”



Tanya reluctantly agrees to Thad's terms and payment plan. Several weeks go by. Each week, Tanya struggles to pay Thad the \$11 she owes him. Then on the tenth week, something horrible happens. On the day her payment is due, she has spent most of the \$35 she earned that week and

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doesn't have \$11 to pay Thad.



Her monthly phone bill is beginning to put too much stress on her **budget**.

She only has \$8 left to pay Thad.

When she tells Thad she can't pay him the full \$11, he isn't very happy.

"I knew loaning money to you, especially with your wild spending habits, would be a risk. I should have charged you more interest because you're such a high risk. Just give me the \$8 you have, but next week you'll owe me \$15."

"Fifteen dollars!" she cries. "If I give you the \$3 I didn't have this week plus the \$11 for next week, it adds up to only \$14."

"The \$1 extra is the late fee you owe me for not making a full payment this week," explains Thad. "That's how business works."



As each week goes by, Tanya falls further and further behind in her payments, and her **debt** gets bigger and bigger. By the fifteenth week, she is giving Thad over half her weekly earnings and is at risk of not paying her cell phone's monthly bill.

Finally, in desperation, she goes to their father and explains her problem.

“Dad, we need to talk,” Tanya says with panic in her voice. “You know that Thad loaned me money to buy a smartphone, right?”

“Yes, dear, I’m aware of the financial arrangement you have with your brother.”

“Well, at the rate I’m going, I’ll owe him money for rest of my life. He’s even threatening to confiscate my phone. Can you tell him to give me a break? He won’t listen to me. He’s acting like a money-stashing squirrel!”



“Now, wait a minute, my dear,” says her father. “You couldn’t wait to get a phone, and so your brother helped you out. You agreed to his terms, which seem pretty reasonable to me. You did get your phone, didn’t you?”

“Well, yeah, but he’s charging me more than we agreed to. He’s breaking our deal.”

💬 “Hold on, Miss Big Spender. It seems to me as though you’re the one who’s breaking the deal by not keeping up with the payments you agreed to make each week,” her dad says. “As I see it, you have two choices: you either have to make more money or spend less each week.”

“Actually, there is a third choice. You could take out another loan to help pay for the first loan, but I wouldn’t advise doing that. You’d just dig a deeper hole that you’d have to climb out of. Oh yeah, and I guess there’s a fourth choice, too: you could sell your phone and repay the loan. Although, remember that it’s now a used phone and wouldn’t be worth the full \$200 you paid for it.”

“Sell my phone—are you crazy?”

“Well, if you don’t like that choice, which other one do you prefer?”



🔊 “Thanks a lot, Dad,” says Tanya, disgusted.
“You’re no help at all.”


Tanya stomps off to her room and mopes for a while. She begins thinking about the choices her dad explained to her. She doesn’t like any of them, but most of all she doesn’t like the idea of giving up her phone. She thinks about whether she has other choices.

As time passes, a feeling of panic begins to overcome Tanya. She knows she has to make a decision, but her mind is numb from so much thinking and worrying. What is she going to do?





Write Your Own Ending

 You're probably thinking Tanya has gotten herself into a real pickle. Well, you're right. What happened to Tanya is what often happens when people spend more money than they earn. If they continue spending more than they earn, they fall further and further into debt. Sometimes things get a whole lot worse, and no matter how hard they try, they can't pay off their debt.

Maybe you can help Tanya out. Think about what you would do if you were Tanya. Then write your own ending to this story. When you have finished, share your ending with others and compare solutions.

Glossary

budget (<i>n.</i>)	a plan for how to spend money for a set period of time (p. 14)
debt (<i>n.</i>)	something, usually money, that is owed to someone else (p. 15)
deposits (<i>v.</i>)	places or puts into (p. 5)
dividends (<i>n.</i>)	payments made from a company's profits to people who own stock in the company (p. 7)
incomes (<i>n.</i>)	amounts of money received from work or other sources (p. 4)
interest (<i>n.</i>)	money paid by a borrower for the use of loaned money (p. 11)
investments (<i>n.</i>)	company stocks or properties bought to make a profit (p. 6)
loan (<i>v.</i>)	to give something, often money, to someone who agrees to return or repay it after a certain amount of time (p. 9)
savings account (<i>n.</i>)	an arrangement, usually with a bank, in which a person deposits money that often earns interest before being withdrawn (p. 5)
stock (<i>n.</i>)	certificates, or shares, of ownership in a corporation (p. 6)
terms (<i>n.</i>)	the rules or conditions that govern an agreement (p. 13)
value (<i>n.</i>)	the worth of something (p. 7)

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Illustrated by Arthur Lin

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Correlation

LEVEL U	
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Reading Recovery	40
DRA	40